

Joint Legislative Budget Committee - Fiscal Year 2000 and 2001 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration
PROG: General Services

JLBC: Lynne Smith/Pat Mah
House: Gray

OSP: Bret Cloninger
Senate: Smith

| DESCRIPTION | FY 1998 ACTUAL | FY 1999 ESTIMATE | FY 2000 | | FY 2001 | |
|---|-------------------|---------------------|------------|------------|------------|------------|
| | | | OSP | JLBC | OSP | JLBC |
| OPERATING BUDGET | | | | | | |
| Full Time Equivalent Positions | 251.0 | 265.5 | 295.3 | 288.5 | 295.3 | 288.5 |
| Personal Services | 5,085,600 | 5,758,100 | 6,071,800 | 5,840,700 | 6,071,800 | 5,840,700 |
| Employee Related Expenditures | 1,351,200 | 1,453,300 | 1,488,700 | 1,438,900 | 1,539,500 | 1,492,300 |
| All Other Operating Expenditures: | | | | | | |
| Professional and Outside Services | 41,500 | 19,200 | 64,900 | 19,200 | 175,400 | 19,200 |
| Travel - In State | 140,300 | 112,800 | 321,400 | 112,800 | 337,400 | 112,800 |
| Travel - Out of State | 400 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Other Operating Expenditures | 1,456,400 | 1,531,000 | 1,736,000 | 1,544,600 | 2,119,600 | 1,546,200 |
| Equipment | 63,600 | 101,100 | 186,000 | 85,600 | 209,000 | 81,600 |
| OPERATING SUBTOTAL | 8,139,000 | 8,977,500 | 9,870,800 | 9,043,800 | 10,454,700 | 9,094,800 |
| SPECIAL LINE ITEMS | | | | | | |
| Motor Pool | 6,576,400 | 10,154,800 | 12,156,400 | 10,304,200 | 12,378,700 | 16,957,000 |
| Relocation | 8,600 | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| Utilities | 5,809,800 | 6,044,900 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| Unoccupied Lease-Purchase | 0 | 42,800 | 73,900 | 23,200 | 73,900 | 23,500 |
| Operations and Maintenance | 0 | 1,371,200 | 1,373,700 | 1,326,100 | 1,376,900 | 1,329,200 |
| Surplus Property | 0 | 0 | 2,568,900 | 2,556,200 | 2,868,500 | 2,872,900 |
| PROGRAM TOTAL | 20,533,800 | 26,651,200 | 32,103,700 | 29,313,500 | 33,212,700 | 36,337,400 |
| BY FUND SOURCE | | | | | | |
| General Fund | 6,203,800 | 6,834,600 | 7,112,000 | 5,330,800 | 7,201,700 | 7,062,600 |
| Capital Outlay Stabilization Fund | 7,300,100 | 7,821,300 | 8,450,400 | 9,358,100 | 8,942,500 | 9,375,600 |
| Corrections Fund | 453,500 | 469,300 | 442,300 | 438,100 | 444,400 | 440,100 |
| Motor Pool Fund | 6,576,400 | 10,154,800 | 12,156,400 | 10,304,200 | 12,378,700 | 12,757,000 |
| Lease-Purchase Building Operating and Maintenance Fund | 0 | 1,371,200 | 1,373,700 | 1,326,100 | 1,376,900 | 1,329,200 |
| State and Federal Surplus Property Funds | 0 | 0 | 2,568,900 | 2,556,200 | 2,868,500 | 2,872,900 |
| Other Appropriated Funds (Unallocated) | 0 | 0 | 0 | 0 | 0 | 2,500,000 |
| Other Non-Appropriated Funds | 7,711,700 | 10,131,100 | 7,294,700 | 7,294,700 | 7,256,500 | 7,256,500 |
| TOTAL - ALL SOURCES | 28,245,500 | 36,782,300 | 39,398,400 | 36,608,200 | 40,469,200 | 43,593,900 |

Program Description — *General Services is comprised of Tenant Services, Building and Planning Services, Construction Services, and Special Services. Tenant Services manages Arizona Department of Administration-owned buildings in the Capitol Mall and provides maintenance and janitorial services. Building and Planning Services and Construction Services plan and manage the design and construction of state prisons and office buildings, review all state construction projects, inspect the condition of non-university buildings at least once every 4 years, and develop a biennial Capital Improvement Plan. Special Services operates the state Motor Pool, surplus property yard, print shop, and interagency mail services.*

| Change in Funding Summary | FY 1999 to FY 2000 JLBC | | FY 2000 JLBC to FY 2001 JLBC | |
|---------------------------|-------------------------|----------|------------------------------|----------|
| | \$ Change | % Change | \$ Change | % Change |
| General Fund | \$(1,503,800) | (22.0)% | \$1,731,800 | 32.5% |
| Other Appropriated Funds | 4,166,100 | 21.0% | 5,292,100 | 22.1% |
| Total Appropriated Funds | \$2,662,300 | 10.0% | \$7,023,900 | 24.0% |

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Recommended Changes from Prior Year

| | | <u>FY 2000</u> | <u>FY 2001</u> |
|-----------------------------|----|----------------|----------------|
| Standard Changes | | | |
| Pay Annualization | GF | \$ 65,400 | \$ -0- |
| | OF | 44,200 | -0- |
| ERE Rates | GF | (19,000) | 31,800 |
| | OF | (10,000) | 51,000 |
| Risk Management | OF | (40,800) | -0- |
| Rent | OF | 4,000 | 1,600 |
| Motor Pool Rates | GF | -0- | 1,700,000 |
| | OF | -0- | 2,411,500 |

The JLBC recommends a FY 2001 increase of \$1,700,000 from the General Fund and \$2,411,500 from Other Funds to allow state agencies to pay higher Arizona Department of Administration (ADOA) Motor Pool rates. The JLBC recommends adding these amounts as a lump sum, to be allocated to other state agencies. The lump sum would not be appropriated to ADOA, but would be distributed to various agencies statewide. Amounts would be determined by the JLBC, based on the vehicle usage of each agency. These amounts would then be allocated to individual agencies by the ADOA General Accounting Office. This is the same method used for statewide salary adjustments. The Executive concurs with the dollar amounts, but recommends funding the rate increase in FY 2000, rather than FY 2001. The Executive has included the individual agency amounts in each affected agency's budget, rather than listing the totals in the ADOA budget.

The funding will allow the department to increase FY 2001 rates to the level required to support operation of the vehicle fleet. In recent years the Motor Pool has charged rates below a cost-recovery level by deferring vehicle purchases and expending its surplus fund balance. If the rate increase amounts are not appropriated, the department will need to reduce its expenditures by approximately \$(3,500,000) to prevent a deficit in the Motor Pool Fund.

Motor Pool Operations OF 189,800 2,537,200

The JLBC recommends from the Motor Pool Fund: 1) an increase of \$201,000 to fund the department's FY 2000 supplies and repair/maintenance contract and 2) a decrease of \$(11,200) for rental space no longer occupied by the department. The recommended FY 2001 amount includes an increase of \$2,537,200 to reflect vehicle costs in the most recent state bid process. The amount is based on replacement of 370 passenger vehicles and 1 freightliner truck in each FY 2000 and FY 2001. The vehicle replacement cost estimate also assumes the department will purchase primarily alternative fuel vehicles and includes a 5% annual increase in the price of vehicles. The recommendation delays funding for these cost increases until FY 2001.

The Executive concurs with the FY 2000 increases, but also recommends an additional \$1,852,200 in FY 2000 for vehicle replacement costs. In FY 2001, the Executive adds \$218,100 for replacement vehicles and operating costs.

Surplus Property OF 2,556,200 294,500

The State and Federal Surplus Property Funds were converted to appropriated status by Laws 1998, Chapter 241. The Surplus Property program collects and sells used state and federal property to state agencies, political subdivisions, and non-profit agencies. The JLBC recommends a total of \$2,556,200 and 23 FTE Positions to appropriate these funds for the first time in FY 2000. The recommended FY 2000 amount includes a total of \$72,500 in Equipment to refurbish a forklift and also to replace a forklift and a copy machine. For FY 2001, the recommended Equipment amount includes an increase of \$42,500, which, in combination with the FY 2000 funding, provides a total of \$155,000 to replace a forklift and a truck tractor. The JLBC also recommends an increase of \$252,000 in FY 2001 for increases in the cost of obtaining surplus materials. The Executive essentially concurs, recommending a total of \$2,568,900 in FY 2000 and an increase of \$271,300 in FY 2001.

Operations and Maintenance OF (47,500) -0-

The JLBC recommends a FY 2000 reduction of \$(47,500) from the Lease-Purchase Building Operating and Maintenance Fund to reflect actual expenditures. The fund changed from non-appropriated to appropriated status in FY 1999. Receipts to the fund come from 16 state agencies that occupy 7 buildings acquired through lease-purchase financing. Each state agency pays a charge based on its gross square footage of office space. The monies are used for the costs of cleaning, landscaping, repairing, and paying the utility costs of the buildings.

Under the recommendation, the agency will have adequate funds to operate given that employee turnover produces savings not normally anticipated. For example, in FY 1998, actual expenditures totaled \$1,229,900 (including administrative adjustments of \$22,500). This amount was \$141,300 less than the approved budget of \$1,371,200. For FY 2001, the JLBC recommends continuing the FY 2000 level of funding. The Executive does not recommend the reduction in FY 2000. Under the Executive recommendation, funding would be higher by \$47,600 in FY 2000 and \$47,700 in FY 2001.

Utilities Special Line Item OF (44,900) -0-

The JLBC recommends a FY 2000 reduction of \$(44,900) from the Capital Outlay Stabilization Fund (COSF) for this Special Line Item, which funds electric, water, gas, and garbage disposal in buildings located on the Capitol Mall and Tucson Office Complex. As a result of the state's significant investment in lighting and cooling upgrades, expenditures in this Special Line Item have not changed

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significantly since FY 1995. Because of state and federal legislation, which deregulates the utility industry to introduce competition between electricity providers for services to the public beginning in 1999, the cost for utilities is expected to drop in future years. The recommended amount is a total of \$6,000,000. For FY 2001, the JLBC recommends continuing the FY 2000 level of funding. The Executive concurs.

| | | | |
|--------------------|----|----------|-----|
| Tenant Improvement | GF | (50,200) | -0- |
| Labor Cost | OF | 50,200 | -0- |

The JLBC recommends transferring \$50,200 and 1 FTE Position from the General Fund to COSF so that all tenant improvement staff are part of Building and Maintenance Services, which is funded entirely from COSF. Shifting all tenant improvement staff to COSF financing was recommended in the 1997 Program Authorization Review of the Facilities Management Program. The Executive concurs.

The table at the bottom of this page lists the 3 kinds of staffing for services related to planning and construction services. The "Core Staff" is intended to serve as the base construction management staff for ADOA building projects. The "Limited Staff" is a work-driven addition to the Core Staff, based on a determination of the requirements for the coming year. The positions listed in the table are intended to include all Building and Planning Services and Construction Services FTE Positions, with the exception of positions to oversee inmate labor conducted through the inmate construction program. The "Project-Specific" positions listed are authorized in other legislation, such as the Capital Outlay Bill, for the duration of a construction project and are not included in the 288.5 appropriated FTE Positions for the General Services Division. *(Refer to the Capital Outlay section for a description of the Project-Specific positions.)*

| | | | |
|---------------------|----|-------------|-----|
| Financing Shift for | GF | (1,500,000) | -0- |
| Operating Budget | OF | 1,500,000 | -0- |

The JLBC recommends using a total of \$3,000,000 from COSF to offset General Fund expenditures over a 2-year period. For FY 2000, this results in a decrease of \$(1,500,000) from the General Fund and an increase of

\$1,500,000 from COSF. This change includes shifting \$1,382,800 for the salary cost of 64.5 FTE Custodial Worker I Positions and \$117,200 for Other Operating Expenditures from the General Fund to COSF. For FY 2001, the JLBC recommends continuing this policy, resulting in no net change between the 2 fiscal years.

Monies in COSF are from state agencies for payment of rent for state-owned space in the Capitol Mall and Tucson Office Complex. In prior years, the funds have been used solely for operating costs associated with providing tenant improvements and utilities and for building renewal projects. To provide for cash flow, the recommendation leaves a portion of the prior year receipts in COSF. The FY 1998 ending fund balance for COSF is \$5,066,100. Without the recommended shift, the balance is projected by the department to be \$3,342,900 by the end of FY 2001, assuming that all projects will be completed as scheduled. It is likely that the fund's ending balance will be higher than the agency's projection because usually not all projects are completed on schedule. The Executive does not recommend this issue.

| | | | |
|---------------------------|----|----------|-----|
| Unoccupied Lease-Purchase | OF | (19,600) | 300 |
|---------------------------|----|----------|-----|

The JLBC recommends a FY 2000 reduction of \$(19,600) from COSF for the lease-purchase payment on vacant "state-owned" lease space. Space at 1616 W. Adams is now filled. The recommendation funds vacant space at the Kingman State Office Building and the Tucson State Office Building, including space that will be vacated by the Pharmacy Board in FY 2000. The board plans to discontinue having a field office in Tucson. The recommendation does not include funding of \$55,200 for space that is currently vacant at the Doubletree building because it is anticipated that the space will be rented and revenues for the cost will come from the new occupant. For FY 2001, the recommendation includes an increase of \$300 due to an adjustment in the lease-purchase payments. The Executive recommends additional monies of \$50,700 in FY 2000 and \$50,400 in FY 2001 to fund the vacant space at the Doubletree building. The Executive does not include funding for space in Tucson that will be unoccupied starting in FY 2000 when the Pharmacy Board moves out.

| Building and Planning Services and Construction Services FTE Positions | | | | | | | | |
|--|--------------|---------------|------------------|--------------|--------------|---------------|------------------|--------------|
| FY 2000-2001 FTE Positions | FY 2000 | | | | FY 2001 | | | |
| | Core Staff | Limited Staff | Project-Specific | Total | Core Staff | Limited Staff | Project-Specific | Total |
| General Fund | 0.00 | 0.00 | 9.00 | 9.00 | 0.00 | 0.00 | 9.00 | 9.00 |
| Capital Outlay Stabilization Fund (COSF) | 23.25 | 6.50 | 2.00 | 31.75 | 23.25 | 6.50 | 4.00 | 33.75 |
| Corrections Fund | 5.75 | 1.50 | 26.00 | 33.25 | 5.75 | 1.50 | 16.00 | 23.25 |
| TOTAL | 29.00 | 8.00 | 37.00 | 74.00 | 29.00 | 8.00 | 29.00 | 66.00 |

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Equipment OF (15,500) (4,000)

The JLBC recommends a FY 2000 total of \$23,500 from COSF and the Corrections Fund for personal computers and software. The total FY 2000 recommendation of \$85,600 is a reduction of \$(15,500) from FY 1999, due to the elimination of costs related to one-time equipment. The JLBC also recommends continuing in FY 2000 funding of \$62,100 from the General Fund for replacing phone equipment, motor carts, and lawn equipment. For FY 2001, the JLBC recommends the same amount from the General Fund for replacing the same type of equipment. The FY 2001 recommendation also includes a total of \$19,500 from COSF and the Corrections Fund for computer equipment, which is a reduction of \$(4,000) from FY 2000.

The Executive recommends \$147,000 from the General Fund and \$39,000 from COSF and the Corrections Fund in FY 2000 for equipment. The additional funding of \$100,400 includes \$84,900 from the General Fund for a new dump truck and 4 more motor carts, for a total of 7 new motor carts. For FY 2001, the Executive recommends \$187,000 from the General Fund and \$22,000 from COSF and the Corrections Fund. The Executive recommends the additional funds to replace 7 additional motor carts.

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JLBC Recommended Format — Operating Lump Sum by Fund with Relocation and Utilities Special Line Items. For Surplus Property, Lump Sum by Program for the Agency.

JLBC Recommended Footnotes

Continued Footnotes

It is the intent of the Legislature that the amount appropriated from the Corrections Fund be expended solely for the oversight of construction projects benefiting the Department of Corrections or the Department of Juvenile Corrections.

Other Issues for Legislative Consideration

Preventive Maintenance Plan

The Executive recommends 7 new FTE Positions and \$500,000 from COSF in FY 2000 to begin a preventive maintenance plan for routine maintenance on the state's buildings. For FY 2001, the Executive recommends continuing the FY 2000 level of funding. The JLBC does not recommend funding, since no plan has been submitted by the agency to evaluate its merits and the extent to which existing resources could be better targeted toward preventive maintenance.

Router Charges

The Executive recommends \$2,400 from the Corrections Fund and \$3,000 from COSF for an increase of \$5,400 in FY 2000 for charges for telecommunication lines that control the delivery of services. For FY 2001, the Executive recommends the FY 2000 level of funding. The JLBC recommends that the agency use resources within its existing budget to cover the cost.

Elevator Contract

The Executive recommends \$16,200 from the General Fund in FY 2000 and another \$9,800 in FY 2001 for elevator maintenance costs. The JLBC recommends that the agency use resources within its existing budget to cover the cost.

Salary Adjustments

The Executive recommends \$12,900 from COSF and \$11,000 from the Corrections Fund in FY 2000 to provide for the reclassification of project management personnel for Building and Planning Services and Construction Services. These employees are in the uncovered service and, therefore, not part of the Classification Maintenance Review salary adjustment process. The JLBC recommends funding the upgrades from savings that always exist because of on-going turnover in employees.

| Performance Measures | FY 1997 Actual | FY 1998 Actual | FY 1999 Estimate | FY 2000 Estimate |
|---|-------------------|-------------------|---------------------|---------------------|
| Average number of days to review construction plans/specs | 9.2 | 18 | 16 | 15 |
| Percent of customers satisfied with relocation process | 82% | 90% | 86% | 88% |
| Percent of satisfied customers with tenant improvement projects | 82% | 99% | 86% | 88% |
| Customer satisfaction rating for building maintenance based on annual ADOA survey (Scale 1-8) | 5.2 | 5.4 | 5.8 | 5.9 |
| Customer satisfaction rating for custodial services based on annual ADOA survey (Scale 1-8) | 5.1 | 5.5 | 5.8 | 5.9 |

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